

Revised HQM ONE Scoring Proposal

To make sure that the HQM is meeting consumer and industry needs, the HQM scoring needs to:

- Clearly communicate a home's attributes to consumers in a comparative way
 - Encourage continual quality improvement of all new homes
 - Appropriately recognise homes ranging from current good standards up to exemplar
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HQM ONE consultation feedback

Overall, responses indicated that the HQM ONE proposal was an improvement on the HQM beta scale and that stars were the best way to rate the overall qualities of a new home for home owners and occupiers. In addition, using established words (Good; Very Good; Excellent; Outstanding as used in BRE's BREEAM schemes) provides consistency for other major stakeholder groups, including investors and mixed use developers. Other solutions including the use of different terms such as precious metals names, percentage of total score available or the use of a two-letter serial (aa, ab, ac) were felt to be either more confusing to the consumer or would not clearly relate to the quality of the home in the minds of the consumer.

The HQM ONE consultation feedback indicated two significantly differing views on whether the proposed rating system was fully achieving the aims of a rating and scoring system and adequately served the needs of key stakeholders. As the scoring is such a critical part of HQM, we have reviewed the proposed scoring and are proposing a number of further changes that we believe better meet the needs of the scheme and its users. This has resulted in a **revised** HQM ONE scoring proposal.

Some respondents were concerned that starting at 3 stars was confusing (and potentially misleading) to consumers if lower star levels were not available, and that the gaps between half-star ratings did not adequately reflect the level of effort required to achieve them.

However, others agreed that a current well-built home should achieve 3 stars, due to the poor perception of a 1 or 2 star product, particularly given the nature of the scheme recognising performance above and beyond regulatory minimum standards.

Feedback analysis

Initial analysis was carried out on the HQM feedback received, in relation to HQM beta and the consultation draft of HQM ONE, to identify parts of the proposed scoring that worked well, and those parts that required further adaptation. This resulted in the following proposals for a **revised HQM ONE scoring proposal**:

Proposals	Justification
<p>Change Start star rating on a scale from 1 to 5 (with 1 star awarded to homes for meeting HQM's baseline requirements and 5 stars awarded to homes that are outstanding)</p>	<ul style="list-style-type: none"> Removes potential for consumer confusion Recognises the current level of improvement over the HQM baseline (minimum requirements) in a way that is accessible to consumers.
<p>Retain Half star increments</p>	<ul style="list-style-type: none"> Increases scoring granularity to recognise a broader range of performance beyond minimum standards and in between HQM star ratings (i.e. increasing the scale from 5 - to 9 steps; 1, 1.5, 2, 2.5, 3, 3.5, 4, 4.5, 5)
<p>Retain 3-star score as broadly equivalent to a <i>well designed and built</i> Code Level 3 home</p>	<ul style="list-style-type: none"> Maintains previous entry level score at an output level that is acceptable to industry and consumers Allows for certification of lower scoring homes where required
<p>Retain 5-star score (i.e. 80%, or 400 credits)</p>	<ul style="list-style-type: none"> Maintains score required for an 'outstanding' home, to recognise exemplar projects and continually push standards higher.

Having identified the above key points, it was necessary to establish specific benchmarks for each of the proposed 9 steps in the ratings that encourage improvement in performance over time. The introduction of additional star ratings, combined with the need to keep the 3-star score consistent with the HQM ONE consultation proposals, meant that an appropriate benchmark scale was required for both sides of the 3-star level (i.e. for 1-3 star, and for 3-5 star).

In summary we are proposing to set the 1 star entry at a level that represents a home which achieves the minimum HQM requirements only, as these are considered critical to the delivery of any quality home.

To identify an appropriate benchmark scale for the remaining star levels, a series of scenarios (covering a range of good to best practice standards) were modelled within the HQM ONE scheme. This modelling identified further changes to scoring principles:

Proposals	Justification
Introduce 1-star for achieving minimum requirements only	<ul style="list-style-type: none"> Emphasises these as the baseline entry requirements for the scheme
Change Benchmark scale from staggered to progressive	<ul style="list-style-type: none"> Encourages continual improvement Reduces improvement requirements at lower levels
Retain 3-star score (i.e. 30%, or 150 credits)	<ul style="list-style-type: none"> Broadly, a well designed and built Code Level 3 home was achieving this score in HQM ONE (assuming all minimum requirements were met)

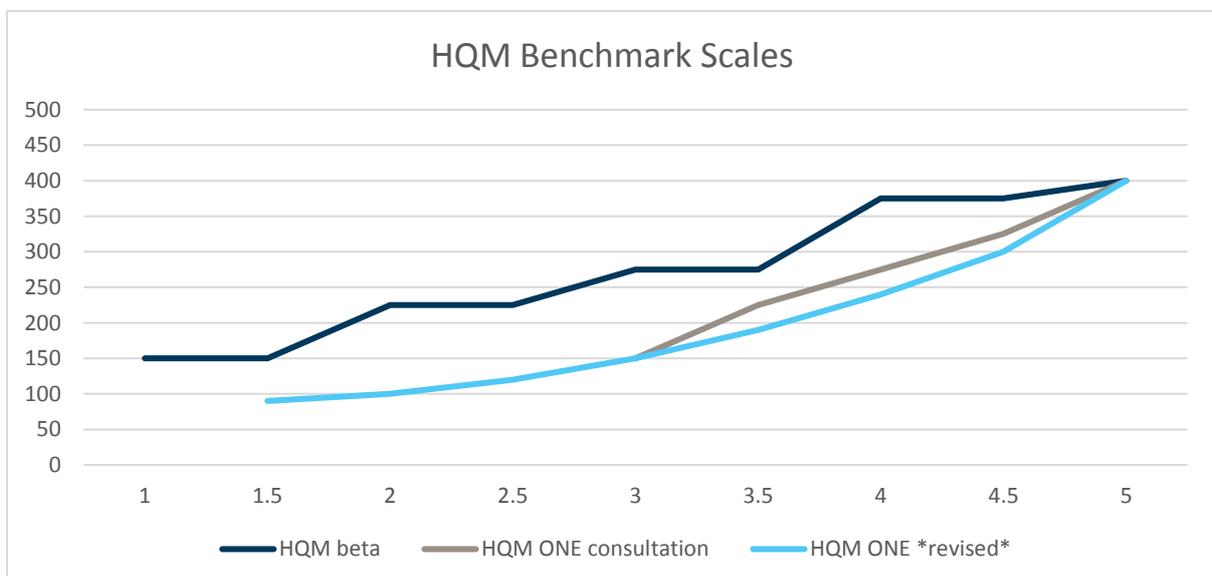
Scenario modelling

To establish an appropriate benchmark range, over twenty scenarios were modelled against the HQM ONE scheme. To do this, a series of assumptions were made:

- the minimum requirements were met
- conservative judgements regarding issues relating to location
- conservative assessment against the criteria intention where detail was lacking or subjective
- *new* issues or criteria that were not considered standard practice were not assumed as achieved

Statistical analysis was completed on the results from the scenario modelling to help inform specific benchmark figures.

The results from the modelling suggested that the progressive benchmark scale, illustrated in the graph below (light blue line), would best reflect the outcomes (note that these have been displayed against the staggered HQM beta and HQM ONE consultation benchmark scales, for reference).



This progressive benchmark scale also addressed the concerns raised regarding the difficulty of achieving a half star increase by:

- reducing the credit score required at each star rating up to 4.5 star
- reducing the improvement required between star ratings up to 4.5 star

The **revised** proposal

Having established an appropriate benchmark scale, the **revised** HQM ONE scoring proposal for the star and indicator scores is summarised below:

Star Rating	Score Required	Percentage Required	Descriptor	Indicator Levels	Percentage Required
★	Minimum requirements only	-			
★★	90	18%	Certified	①	18%
★★★	100	20%		②	20%
★★★★	120	24%	Good	③	30%
★★★★★	150	30%			
★★★★★★	190	38%	Very Good	④	48%
★★★★★★★	240	48%			
★★★★★★★★	300	60%	Excellent	⑤	80%
★★★★★★★★★	400	80%	Outstanding		

Each star rating will be accompanied by a descriptive term to help contextualise the overall rating for the consumer. The 3 star level (i.e. a ***well designed and built*** Code Level 3 home) was considered the minimum rating at which to apply a positive descriptor as this represents typical practice across much of the housing sector. The descriptors used for 3 to 5 star ratings also allow for a high level of comparison between HQM and other standards within the BREEAM family of schemes.

It is proposed that the indicator levels (1 to 5) follow the same progressive benchmark scale as the stars, albeit with fewer levels. Their percentage requirements align with the respective whole stars. Indicator level 1 will be the only exception, which will link with the percentage requirements for 1.5 star (as it is not a requirement of 1 star to achieve any tradable credits).

What's next?

Through increased granularity of the star ratings and amended benchmarking of both the stars and indicators, we believe that the **revised** HQM ONE scoring proposal addresses the concerns raised through the feedback, and ensures the scheme meets the needs identified at the beginning of this document. However, to fully understand whether this has been achieved, we need to test how the proposed scoring works in practice.

To find out how you can get involved, please go to www.homequalitymark.com/HQMONEconsultationfollowup.